

Message Text

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ACTION EUR-12

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FM AMEMBASSY COPENHAGEN

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INFO AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

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USMISSION OECD PARIS

UNCLAS COPENHAGEN 1980

E.O. 11652: N/A

TAGS: EWWT, EFIN, BR, DA

SUBJECT: SHIPBUILDING; DANISH GOVERNMENT STOPS ATTEMPT TO EVADE
OECD SHIP-FINANCING REGULATIONS

SUMMARY. AN ATTEMPT BY TWO MINOR DANISH SHIPOWNERS TO PLACE
LARGE ORDER FOR GENERAL CARGO VESSELS WITH BRAZILIAN SHIP-
BUILDING INDUSTRY WAS RECENTLY STOPPED BY DANISH NATIONAL BANK
AND COMMERCE MINISTRY ACTION. GOVERNMENT INTERVENED DIRECTLY
TO PROTECT OECD SHIP-FINANCING AGREEMENT FROM COMPETITION
ON GENEROUS TERMS FROM STATE-SUPPORTED
BRAZILIAN SHIPPING INDUSTRY. END SUMMARY.

1. DANISH SHIPPING COMPANY BEWA, COPENHAGEN, RECENTLY OBTAINED
NATIONAL BANK APPROVAL FOR PLACING ORDER FOR TWO 8100 TDW CARGO
VESSELS WITH ESTALEIRO SO SHIPYARD, PORTO ALEGRE, BRAZIL.

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CONTRACT IS SAID TO REPRESENT \$16 MILLION. FINANCING OFFERED

IS 85 PERCENT OF CONTRACT PRICE OVER 8 YEARS AT ANNUAL INTEREST RATE OF 7 PERCENT, AGAINST OECD TERMS OF 70 PERCENT OVER 7 YEARS AT 8 PERCENT.

2. NATIONAL BANK APPROVAL OF ORDER IMMEDIATELY TRIGGERED ADDITIONAL REQUEST FOR APPROVAL BY BEWA FOR SIX 4000 TDW VESSELS WORTH \$32 MILLION, PLUS REQUEST BY MERCANDIA SHIPPING COMPANY, COPENHAGEN, FOR APPROVAL OF ANOTHER TEN BRAZILIAN VESSELS WORTH \$55 MILLION, BOTH ON SAME FAVORABLE FINANCING TERMS AS DESCRIBED PARA 2. ABOUT \$17 MILLION OF TOTAL CONTRACTS WERE TO BE SUPPLIED BY DANISH SUBCONTRACTORS.

3. COMMERCE MINISTRY SPOKESMAN (H.O. CHRISTIANSEN) INDICATED REQUEST HAD BEEN DISCUSSED AT MINISTERIAL LEVEL. APPROVAL WAS DENIED IN ORDER TO PROTECT OECD AGREEMENT AND THEREBY AVOID AN UNDESIRABLE INTERNATIONAL DEVELOPMENT. HE CLAIMED THAT DECISION WAS NOT MADE TO PROTECT DISTRESSED DANISH SHIPBUILDING INDUSTRY, WHICH HE FELT WOULD PROBABLY NOT OBTAIN THIS ORDER IN ANY CASE.

4. WE UNDERSTAND THAT BRAZILIAN SHIPYARDS WILL NOW PURSUE MATTER THROUGH DIPLOMATIC CHANNELS TO FIND WAY OF OVERCOMING DANISH RULING. REPORTEDLY, ONE GERMAN AND ONE FRENCH COMPANY HAVE OBTAINED APPROVAL FOR ORDERS TO BRAZILIAN YARDS ON ABOVE FAVORABLE CONDITIONS.
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